

Houzz: Home remodeling goes social as startup transforms industry

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Interior designer Nan Walz, right, talks with homeowner Shirley Fuller about some ideas on her iPad using the HOUZZ application, while visiting in Fuller's Danville, Calif. home on Wednesday, March 6, 2013. HOUZZ with 14 million users, has virtually invented the on line home remodelling and interior design experience. (Jim Stevens/Staff)

Home remodeling, one of the biggest industries in the country and one of particular interest to the Bay Area, is being transformed by the Internet with a push from a fast-growing startup in Silicon Valley.

Until recently, a homeowner thinking about remodeling would have checked out books from the library, read some design magazines, asked friends for advice and tried to find help on the Web.

But in January, 14 million people turned instead to Houzz, a small Palo Alto company that has grabbed the \$300 billion remodeling industry by the tail and is changing the way homeowners connect with design professionals and figure out how they want to improve their homes. And it's taking off just as the housing market is rebounding and giving homeowners more equity to play with.

It's the latest example of the way the Internet has disrupted an entire industry, having already transformed everything from publishing to entertainment. But this is with a twist: Rather than hurting established players in the remodeling business, sites like Houzz are likely to benefit them by bringing them more business more efficiently.

"Houzz has had a huge impact in the residential design community," said Mark Demerly, an Indianapolis architect and recently chairman of the American Institute of Architects' custom residential network. "We ask our clients to seek out things on it they like and that inspire them."

The Bay Area, with its booming economy, startup culture and older housing stock, is a logical birthplace for the home improvement site. Created four years ago by Alon Cohen and Adi Tatarko, who were remodeling their Palo Alto home, it quickly caught on across the U.S. and in Canada.

"Clipping things out of design magazines seemed so antiquated," Cohen recently recalled. "Today everything is online. We thought there's got to be a better way to do this."

Houzz's iPad and iPhone apps have been downloaded 6 million times. It has 14 million visitors a month -- up from 1.3 million downloads and 4 million visitors a year ago -- who pore over 1.2 million images of remodeling projects with links to 188,000 architects, designers, and other professionals. In a little more than two years, it has drawn \$48.6 million in three rounds of venture funding.

The revenue comes from advertising by national brands and a professional subscription package launched a few months ago.

Now competition is emerging. Last month, the Seattle-based home-valuation site Zillow introduced Zillow Digs, a similar service. Zillow spokeswoman Cynthia Nowak said it's "a huge market," citing a study that found that nearly 25 percent of recent homeowners completed a kitchen or bathroom remodeling project last year.



At right, David Hew, his wife Winnie Cheng, their daughter Sabrina Hew and their architect Eugen Sakai, left, in the kitchen of their home in Los Altos, Calif. on Wednesday, March 6, 2013.

Hew used the app and online site Houzz to remodel his home with the help of Architect Eugene Sakai, background left, and builder Arash Saffarpour, background right. (LiPo Ching/Staff) (LiPo Ching)

The new Zillow Digs iPad app includes cost estimates for many remodeling projects and links to more than 20,000 home improvement professionals and more than 30,000 photos. It's too new to have any user metrics, but Zillow's home-valuation site has 46 million monthly visitors.

"The world is changing as far as design goes," said Nan Walz, an Alamo interior decorator for two decades.

Walz says she tells clients to go to Houzz and start a library of projects and ideas they like there. "We can save you money and save me the time trying to guess what they love. People really are enjoying the whole process."

"It's addictive, though -- be careful," said Nicole Strauss, an orthopedic surgeon who is using it to get ideas for remodeling rooms in her San Francisco home. "You can spend hours perusing that website."

Houzz and Digs give design and remodeling professionals a place to show off their work. Homeowners can find products, designers and remodeling projects they like, saving photos to share with family, friends and their architect or designer. They can also network with other homeowners for remodeling tips.

Houzz has made "quite a splash in a few short years," said Kermit Baker, director of the Remodeling Futures Program at the Joint Center for Housing Studies at Harvard University. "It's not clear there's anything revolutionary in any individual piece of it. What they seem to have done better than anyone else so far is really integrate all this stuff."

Tech professional David Hew used Houzz to exchange ideas with San Jose architect Eugene Sakai when he remodeled his home in Los Altos, partly to get ready for the arrival of a baby. "It was monumentally useful to use Houzz rather than cut and paste and bookmark things and use a ton of bulky books," Hew said. "Everybody I talk to that does a remodel spends close to 10 hours a week on that thing, just flipping through those pages."

"It's really a nice community," Sakai said. "It's very active and a great way for even a person on a budget to get a fair amount of advice."

When [eBay \(EBAY\)](#) executive Daniela Mielke bought a ranch-style home on eight acres in Half Moon Bay, she began browsing the Internet for ideas.

"I don't remember how I found Houzz -- probably through a [Google \(GOOG\)](#) search -- and then I just started surfing around. It's very nice and has a very serendipitous way of searching and seeing things. I would often go there without a specific thing in mind, just browsing around. I saw this picture of a kitchen I really liked."

She called the architect, Mark English of San Francisco, and hired him over the phone. Now she has a red, glossy Italian kitchen with hardwood floors, a high ceiling and some appliances she researched on Houzz.

For some the site is taking the place of magazines and books. "I send all of my clients to Houzz, if they haven't been there already," said Mary Jo Fiorella, a Castro Valley designer. "In the past they would buy magazines and search through books for ideas to show me things they liked. Now we have a virtual place to share ideas with each other."

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